

AR18

OAK

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1971 HIGHLIGHTS

	1971	1970
Net Sales	\$83,668,264	\$75,056,484
Income (Loss) Before Income Taxes	\$ 2,743,797	\$ (1,003,849)
Provision for Income Taxes	\$ 1,328,000	\$ (555,000)
Net Income (Loss)	\$ 1,415,797	\$ (448,849)
Per Common Share	\$.65	(\$.49)
Average Common Shares Outstanding	1,636,940	1,637,204
Cash Dividends Paid—Common Stock	\$ 261,922	\$ 523,915
Per Common Share	\$.16	\$.32
Stockholders' Investment	\$24,314,603	\$23,522,554
Number of Stockholders	4,979	5,335
Number of Employees	7,837	6,512

CHAIRMAN'S MESSAGE

TO OUR SHAREHOLDERS:

Certainly the most satisfying result of 1971 operations is our return to profitability. This was our major objective. It was achieved through single-minded dedication and effort by the entire O/E/N management group and the people they guide. In his letter, Frank Astrologes, president and chief operations officer, discusses this accomplishment. I add here my personal word of praise and appreciation to all who contributed to it.

During the year we established a new base for participation in the growing cable television market, and through acquisition entered a whole new area of activity—the security business. These steps reflect our continuing commitment to growth.

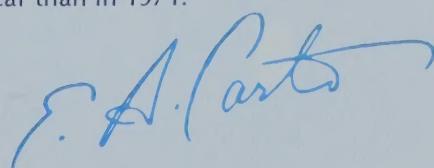
An internal development related to growth was the implementation of a new organization structure for the corporation. We have moved to a group structure and have established a new level of authority and responsibility—the group vice president. The group arrangement will facilitate internal communication and decision making and thus preserve management effectiveness as growth continues.

During the year Eugene M. Keys and William D. Scholten joined the corporate staff as vice president, sales and vice president, manufacturing, respectively. Mr. Keys formerly was president of Selectronics Division, and Mr. Scholten had been vice president and general manager of Hart-Advance Relay Division.

Eugene N. Meyer, corporate controller for the past year, was named vice president, finance and controller. We see 1972 as another year of progress. Improvement is expected in industrial electronics, particularly in the markets for computers, test and measuring equipment and communications equipment. Our appliance market should continue to grow, sustained by the anticipated increase in consumer spending. For the same reason sales of our consumer-oriented products should increase. An upturn is projected in our military market, although here we will continue a policy of selectivity, concentrating on projects where profitability is commensurate with the involvement required.

With these developments, we expect even better profit performance this year than in 1971.

March 15, 1972



E. A. Carter
Chairman of the Board
Chief Executive Officer



E. A. Carter
Chairman of the Board

Frank A. Astrologes
President

PRESIDENT'S MESSAGE

TO OUR SHAREHOLDERS:

As Mr. Carter points out in his letter, O/E/N's operating units achieved a turnaround performance in 1971.

Net income amounted to \$1.4 million, equivalent to 65 cents a share on 1,636,940 average common shares outstanding. This compares with a net loss of \$448,849, equivalent to a deficit of 49 cents a share on 1,637,204 average common shares outstanding in 1970. Consolidated net sales in 1971 totaled \$83.7 million, an increase of 11.5 per cent over the \$75.1 million reported in 1970.

In two of our major markets—television tuners and appliance components—there was substantial improvement over 1970. We had a significant pickup in sales of our consumer-oriented products. Sales to the industrial electronics market were about at 1970 levels, and in the military market our sales declined about 35 per cent.

A percentage breakdown of sales to principal markets for the past three years follows:

	1971	1970	1969
Television	17%	15%	17%
Industrial Components	33	37	32
Appliance Components	33	30	28
Military	6	11	14
Consumer	11	7	9

The 1971 performance reported here reflects the programs to maximize profitability and improve operating efficiency which were begun in 1969 and continued through 1970 and 1971. These were implemented on a corporate-wide basis, and took many forms . . . at one division, a plan to become more self sufficient by producing internally materials previously purchased outside; at another unit, parts standardization to reduce inventories; at a third operation, upgrading of production equipment to reduce rejects and scrap.

This close attention to internal cost controls achieved its purpose—increased profitability now without the sacrifice of future capability. Having tightened our operations where necessary, we can react quickly to the new opportunities which will come with a stronger economy.

In line with these programs, our gross capital expenditures in 1971, principally for machinery, equipment and new product tooling, were \$3.3 million. This compares with \$3.2 million in 1970. Capital expenditures for 1972 are projected at the same level as 1971.

We entered 1972 with a \$23.1 million backlog, up 10.5 per cent from \$20.9 million a year earlier.

We move into 1972 confidently on a basis of re-established profitability. As we do, it is appropriate to recognize the efforts of the 7800 Oak employees who contributed, each in his or her own way, to the recovery. My admiration and thanks are extended to each and all of them.

March 15, 1972



Frank A. Astrologes
President

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C. J. Bradshaw
G. B. Hamilton
P. S. Harper, Jr.
L. Jedynak
L. W. McCoy
R. T. McTigue
A. A. Morey
N. Waite

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A. A. Morey
N. Waite

Audit Committee

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N. Waite

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and Chief Executive Officer**

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R. T. McTigue

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W. D. Scholten

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E. N. Meyer

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Vice President
R. W. Peirce

Dodge Industries, Inc.
Atlantic Laminates Division
Fluorglas Division
Circuit Materials Division
Engineered Yarns, Inc.

Communications Group
Acting Vice President
R. T. McTigue

Selectronics Division
O/E/N Hong Kong
O/E/N Japan

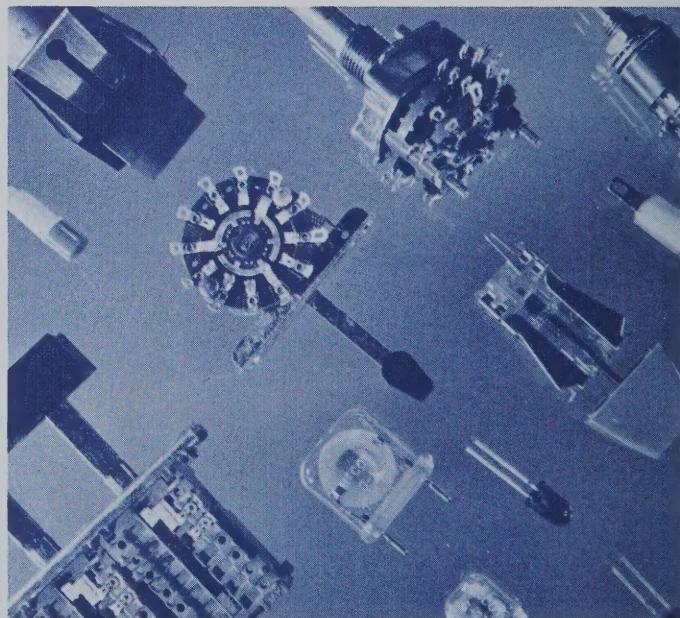
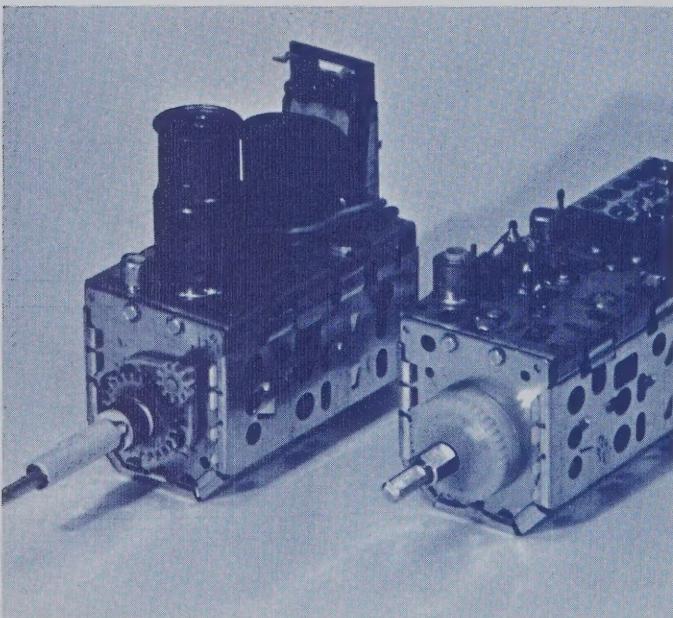
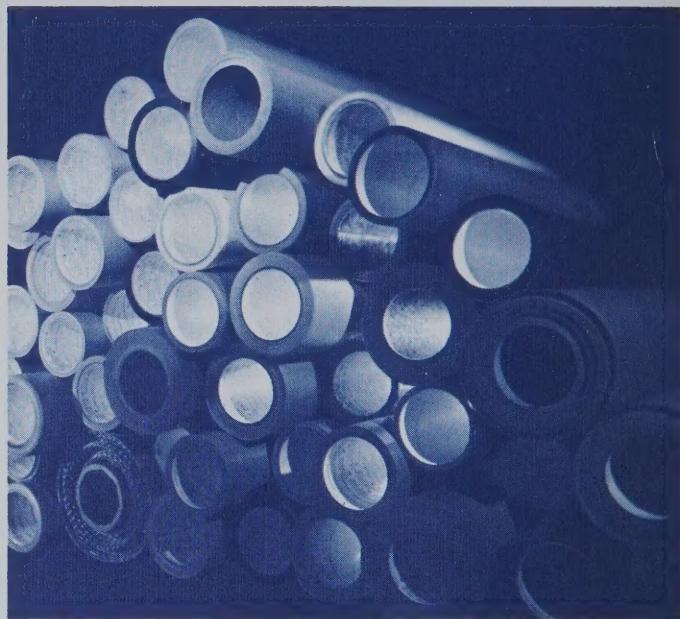
Components Group
Acting Vice President
F. A. Astrologos

Oak Switch Division
Hart-Advance Relay Division
Hart Indiana Division
Win-West Plastics Division
Marco-Oak Industries, Inc.
Techno-Components Corp.
Los Angeles Miniature Products, Inc.
McCoy Electronics Company
O/E/N Holland
O/E/N India Limited
Diamond H Controls Ltd.
Diamond H Switches (S.A.) Pty., Ltd.

**Appliance Controls
Group**
Vice President
P. S. Harper, Jr.

Harper-Wyman Company
Harper-Wyman de Mexico
Harper-Wyman de Venezuela
Harper-Wyman Limited
O/E/N Canada Ltd.

Operations Review:





Appliance Controls Group

Harper-Wyman Company
Harper-Wyman de Mexico, S.A. de C.V.
Harper-Wyman de Venezuela, S.A. de C.V.
Harper-Wyman Limited
O/E/N Canada Ltd.

Harper-Wyman Company

Harper-Wyman Company, producer of controls and components for gas ranges, reported record sales for 1971. Profits showed substantial improvement.

The strong upsurge in housing starts and an increase in sales of recreational vehicles which contain small appliances stimulated demand for gas appliances to the highest level since 1950.

Reception of Harper-Wyman's newly-designed Concept SEVEN top burner series, introduced in 1971, has been excellent. These burners eliminate a costly diecast base, are attractive, and provide better performance at less cost than competing products.

The Harper-Wyman combustion product line, which includes components for gas range oven and top burners, also showed gains in 1971.

The recreational vehicle market is expected to provide continued growth throughout 1972 and beyond.

Excellent volume potential is anticipated from the market for gas grills used in outdoor cooking. The base for this market will be broadened in 1972 with the addition of a new small portable grill for apartment and camping use. Harper-Wyman's Burner/Venturi and control for portable grills, introduced in 1971, are expected to capture an increasing share of this segment of the outdoor appliance market.

New requirements which mandate use of pressure regulators on American Gas Association-certified ranges manufactured after January 1, 1973, provide Harper-Wyman with another important potential for sales gains. Currently only 10 to 15 per cent of gas ranges are equipped with pressure regulators; with the new requirements this market is expected to increase substantially, and Harper-Wyman's historic strong position with major range manufacturers should help to capture a significant share of it. As one entry, the company has designed a regulator which provides convertibility between natural and LP gas. Tooling has been completed, with production scheduled to begin in June, 1972.

Industry sources estimate that 1972 U.S. housing starts

will remain high, at about 2 million units. This level of activity and the expected increase in recreational vehicle sales should provide strong sales gains in 1972.

Harper-Wyman International Operations

Harper-Wyman subsidiaries in Mexico and Venezuela reported sales gains in 1971 as they continued penetration of their respective domestic appliance markets.

These companies produce essentially the same components as the U.S. parent company. They also manufacture a complementary line of control devices for LP gas equipment under license from the Rego Division of Golconda Corp.

Harper-Wyman's English subsidiary, traditionally a producer of gas range components, continued to diversify into other areas of the gas market, namely gas heaters and refrigerators. During 1972 the company plans to introduce a new, low cost oven thermostat which will provide an opportunity to capture more of the profitable market for British range thermostats.

O/E/N Canada Ltd.

Canadian operations were not profitable in 1971. An important factor was the adverse effect of the U.S. import surcharge.

Toward the close of the year management and marketing responsibilities for O/E/N Canada were assumed by Harper-Wyman Company. The Harper-Wyman sales staff has begun marketing Canadian electric controls in the U.S. while the Canadian organization is now selling Harper-Wyman gas controls in Canada.

A complete review has been made of Canadian costs and operating methods. One result of this is the elimination of several marginal profit items from the product line. Another move is initiation of a program to sell certain low power switches through a Canadian distributor network.

Efforts in 1972 will be concentrated on improving profitability. A specific step will be increased sales effort on the company's 100 series oven thermostats, a basic and traditionally profitable item.

Materials Group

Dodge Industries, Inc.
Atlantic Laminates Division
Circuit Materials Division
Engineered Yarns, Inc.

Improvements in service and manufacturing techniques and the avoidance of price-depressed large volume contracts also contributed to the division's good record.

The improved sales representation is expected to result in deeper penetration of existing markets for rigid epoxy-glass and Fluorglas laminates and flexible materials for printed circuit applications.

Circuit Materials Division

Circuit Materials Division's technical competence is in laminating films and foils for use under high temperature conditions. The company's product base was broadened with the introduction of a new laminate for flexible printed circuit applications in computers, missiles and aircraft.

Reductions in material costs are being achieved through the establishment of a finishing operation for treating copper foil which is later adhesive-coated and used in flexible cable and rigid circuitry.

Continuing expansion of the Circuit Materials product base will permit greater usage of its laminates in such markets as communications and computers.

Circuit Materials sales will be strengthened by combining representation with the existing Dodge nationwide selling organization.

Engineered Yarns, Inc.

O/E/N's 50 per cent owned company, Engineered Yarns, manufacturer of plastic coated yarns, achieved very satisfactory sales and profits in 1971. Increased sales of textile and industrial yarns were the major contributing factors.

Acquisition in mid-1971 of a process for vinyl coating yarns by an extrusion technique increased the company's manufacturing capacity and flexibility. Major uses of these new yarns are in selected upholstery fabrics and in various industrial applications.

Increased use of specially treated yarns for paper making machines and the need for other specially treated yarns for industrial applications are expected to increase the company's growth rate in 1972.

Sales and manufacturing operations have been reorganized and expanded to permit the company to take advantage of diversification opportunities in 1972 and beyond.

Dodge Industries

Combined sales of Dodge Industries were about at the level of 1970 but profits were higher.

The sales organization was strengthened through improved representation in Midwest, West Coast and mid-Atlantic areas, and Dodge broadened its product line to include solvent-based products with the installation of solvent coating towers in Hoosick Falls, New York, as well as at Atlantic Laminates in Franklin, New Hampshire.

Product introductions made during 1971 include a rugged mechanical tape possessing exceptional smoothness and excellent non-stick properties with virtually no moisture absorption. The tape is suitable as dielectric covering for wire bundles, surface covering, or as a release sheet to prevent platen adhesion.

The division also developed a tightly woven, specially treated flexible glass fabric to minimize potential fire hazards on manned space missions. Approved by NASA, the PTFE-coated material meets all flammability requirements for space travel in an oxygen enriched atmosphere.

Broader lines of pressure sensitive tapes and thread seal tapes are planned for 1972. Pressure sensitive tapes are used extensively in electrical insulation. Thread seal tapes are finding wider end uses, particularly in chemical processing and in the building trades.

In addition to research and development activity, Dodge will continue to seek sound acquisitions which can provide diversification into high technology materials areas.

Atlantic Laminates Division

Strong growth in Atlantic Laminates Division's 1971 sales of epoxy glass laminates offset cancellation of military contracts using PTFE laminates and slack demand for flexible materials in the printed circuit industry.

Communications Group



A licensing arrangement in Korea has been signed with Dong Sung Electronics. This will provide an additional source of assembly labor during peak periods in Hong Kong.

Currently O/E/N is negotiating a joint venture arrangement on Taiwan. This will give us even more flexibility in tuner production.

Research activities continue. Selectronics has developed a UHF varactor (solid state) tuner. Work is continuing on development of a companion VHF varactor tuner. These units are regarded as potential replacements for conventional tube-type and transistor tuners. They will meet FCC rulings which require equality of tuning between VHF and UHF tuners.

The division's thick film integrated tuner module concept is also being refined. In this concept, nearly all discrete parts are removed from the basic tuner chassis assembly. In place, a tiny metal box—housing integrated circuit components—is mounted atop the tuner chassis. Major advantages of this development are easy replacement and longer life.

Selectronics' engineering group at Crystal Lake is continuing its program to increase usage of the Hong Kong microelectronics capabilities in thick film design and production. Major opportunities lie in development of products for industrial and instrumentation applications using a combination of switching and special products. Local direct sales are being sought in Hong Kong among manufacturers who use thick film components.

Selectronics Division

The Selectronics Division, producers of conventional VHF television tuners, increased its sales in 1971. This reflected the industry trend as distributor-to-dealer sales of domestic television sets increased from 9.4 million units in 1970 to 11 million units in 1971.

The division also achieved higher profitability, although profits were hurt by production problems at our Hong Kong assembly plant early in the year, as described in our Post Annual Meeting Report in May.

As a result of that situation, several steps have been taken. Selectronics has adopted a policy of selectivity in soliciting tuner orders. Emphasis is on orders of appropriate quantity with adequate lead times so as to eliminate as much as possible the necessity for unusually high production or delivery costs.

Components Group

Oak Switch Division
Marco-Oak Industries, Inc.
Techno-Components Corp.
LAMPS, Inc.
McCoy Electronics Company
Oak Electro/netics Holland N.V.
O/E/N India Limited
Diamond H Switches (S.A.) Pty., Ltd.
Diamond H Controls Ltd.

Oak Switch Division

Although sales in 1971 did not reach the level of the previous year, the Oak Switch Division attained greater profitability due to better profit margins in some areas and particularly careful control of internal operations.

Lower sales resulted from lower demand in three important markets—computers, test instruments and communications equipment.

Product development continued at a high level, however. Introduction of a trouble-free solid state vending control unit in 1971 marks both beginning penetration of a new market and the division's first major step in application of its solid state technology. The vending control replaces electromechanical relays formerly used to operate solenoids or motors to dispense vended products.

In response to a continuing shift to pushbutton and keyboard switches and customer pressure for lower component costs, the Switch Division is devoting a considerable portion of its development resources to units meeting these requirements. During 1971 the division introduced new low-cost keyboard switches for printed circuit board applications. The switches have been rated for up to 20 million operations per key. They are economically priced, compact, and are designed to plug directly into printed circuit boards. This makes them ideally suited for such high volume keyboard applications as computer peripheral equipment, electronic typewriters, desk top calculators, data input and bank terminals, and reservation and credit verification systems.

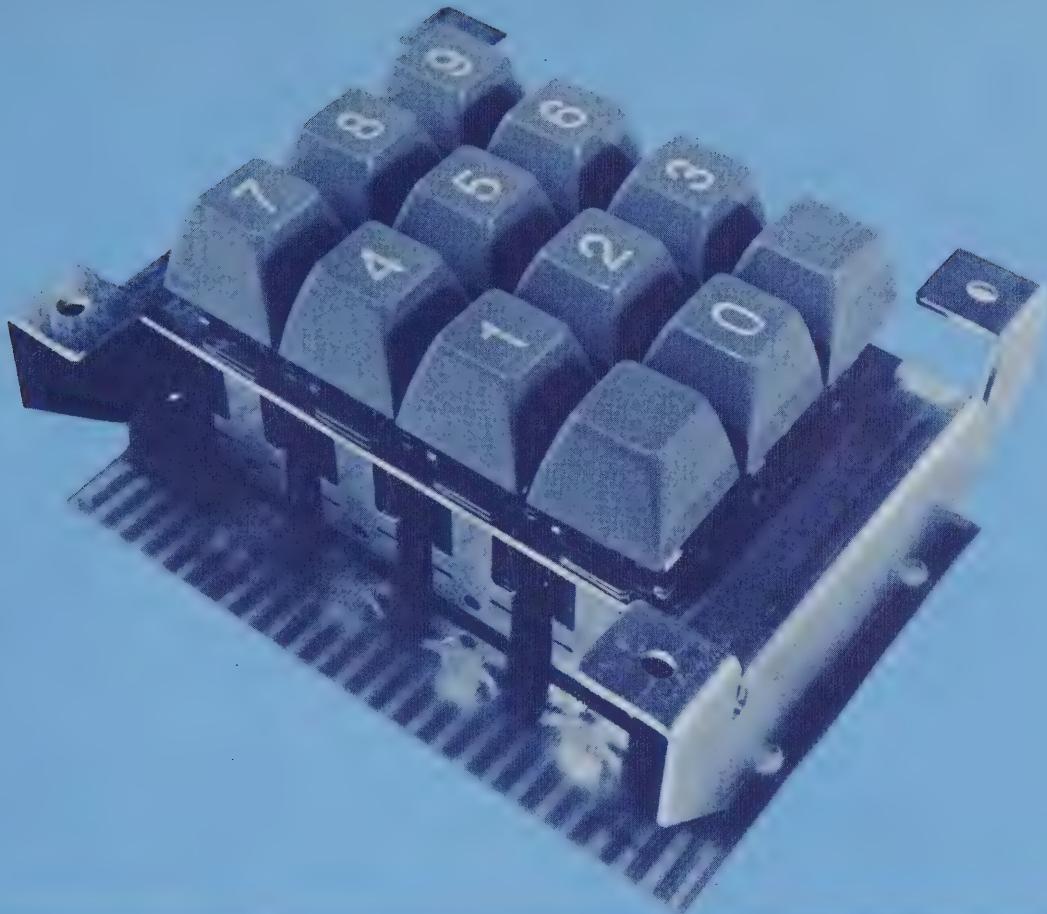
The division also expanded its appliance control switch line with the addition of UL-recognized higher rated rotary switches. These represent a significant expansion of the division's 240, 390 and 910 series of appliance control switches. End uses for the switches include air conditioners, vending machines, dryers, battery chargers, X-ray equipment, and medical, dental and other laboratory equipment.

During the year the division broadened its sales coverage with the addition of regional sales offices in Columbus, Ohio and Boston. Its distributor organization was strengthened through the appointment of several new distributors and the addition of keyboard switches to the distributor product line.

Marketing efforts in 1972 will be concentrated on products for vending, appliance and office equipment industries.

The division plans to introduce a low profile keyboard switch for low-cost desk top calculators. The switches will be sold separately or in keyboard configurations inserted in a metal frame and mounted to a printed circuit board.

Also planned for introduction in 1972 are lighted pushbutton switches meeting low power switching requirements of the aircraft industry and test, measurement and office equipment manufacturers. Prior to this development, these manufacturers were required to use higher current switching—5 amps or more—at higher cost. With the new Oak switches, both lights and buttons are available in three types: $\frac{3}{4}$ inch square button, $\frac{3}{4} \times 1$ inch button, and $\frac{3}{4} \times 1$ inch button capable of providing split legend lighting. Customers thus have a broad range of aesthetically attractive buttons with very good life characteristics at low cost.



Oak Switch Division's Series 400 Keyboard switches, shown in a 12-keypad arrangement on a printed circuit board, are ideally suited for data input terminals and calculator keyboards, which require long life and high reliability characteristics.

Components

Marco-Oak Industries

Sales remained level but profitability improved at Marco-Oak Industries, manufacturer of indicator lights and illuminated pushbutton switches.

Marco's product development efforts continue to emphasize miniaturization, reflecting the industry trend toward smaller, lower cost indicators. An example is Marco's new subminiature indicator called "Big QT". It features substantially lower purchase and maintenance costs and is well suited for computers and other display applications. With its companion "Little QT", introduced earlier, it is expected to replace higher priced cartridge-type lights.

An adaptation of the Big QT, the QT/D, was developed for use with LED's (light emitting diodes), a relatively new type of light which may have substantial sales potential. The QT/D has enhanced legibility because of a unique micro-grooved lens which scatters but does not reduce light. It installs in standard panel cutouts without special tools or hardware, and is available in integrated circuit compatible current ratings, with terminals for either solder or printed circuit board installations. Marco also is adapting its Little QT for use with LED's and will introduce this new product in 1972.

In 1971 Marco continued development of low-cost versions of its Presslite line of illuminated switches. Introduced during the year was the 590 series featuring noise-free operation and long life for low current switching applications. This line will be expanded in 1972 with addition of another low-cost switch and matching indicator with dual lamp, split legend construction.

Another new Presslite product in 1971 was an illuminated status indicator matrix, incorporating front panel legend and lamp replacement. The matrix is offered as either an indicator or combination indicator/switch assembly in a variety of configurations to suit many panel applications, particularly in the data processing equipment market.

Los Angeles Miniature Products, Inc.

Los Angeles Miniature Products reported satisfactory results in 1971, despite continued price erosion from offshore competition in the subminiature lamp market.

Several new products were introduced during the year to meet growing requirements for medical electronics equipment, computer instrumentation, light indicators and displays. Included were a series of T-1/2 incandescent lamps for medical electronics and small fibre optic probes, and line filament lamps used in computer card readers, encoders and meter illumination. These markets are expected to show substantial growth over the next two years.

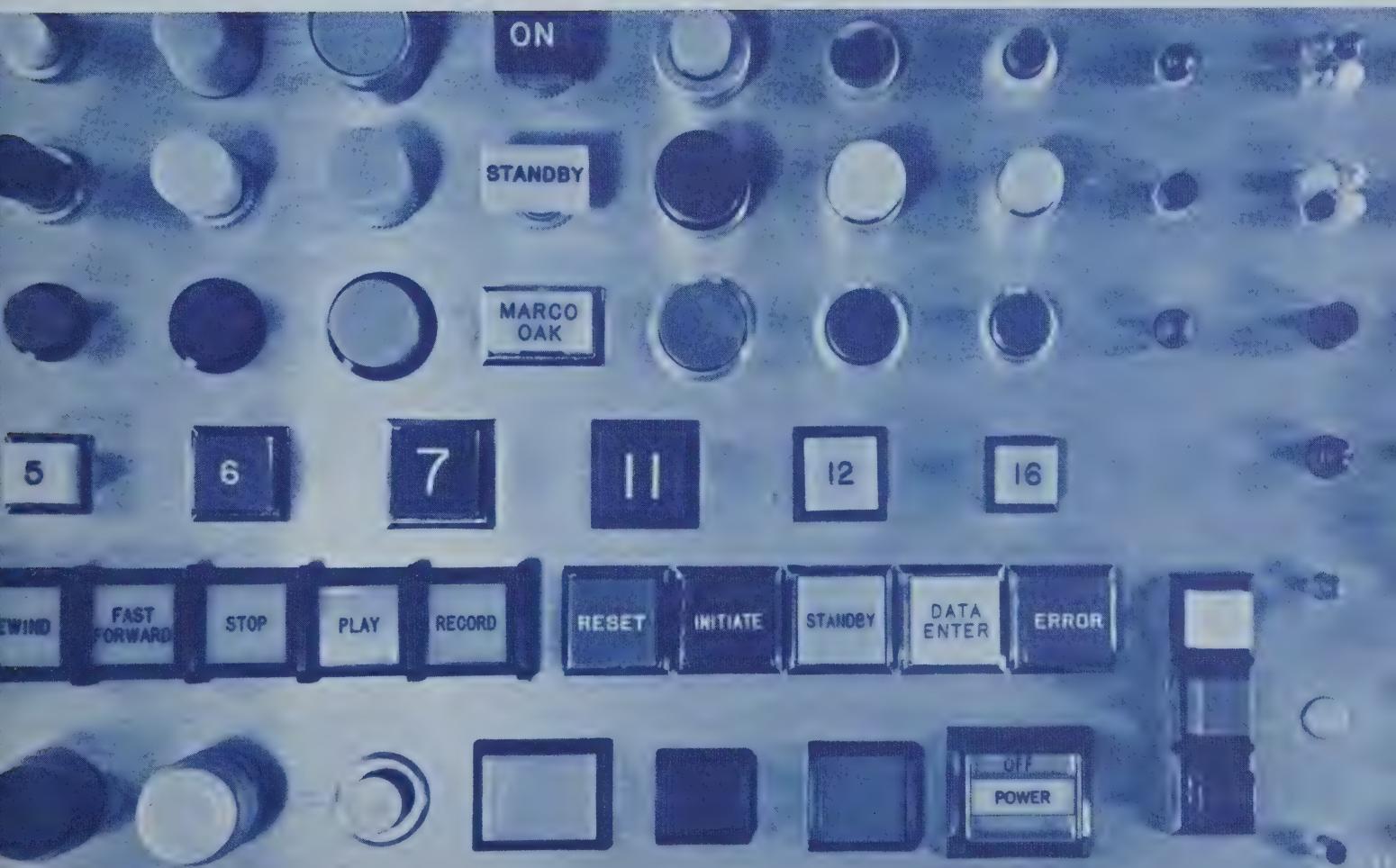
Two new lines of precision, high intensity lens-end miniature lamps were brought to market. One is a straight-on version and the other is designed to throw a beam of light at a 90° angle. Both lamps produce from 200 to 1000 foot candles with accurately controlled beam alignment. The lamps are used to drive circuits for computer card readers, tape recorders, encoders/decoders, scanners and fibre optic devices.

Also marketed in 1971 was a line of T-4 and TL-4 miniature lamps for high intensity indicators or photo detector drivers for medical equipment, computers or fibre optics. Available in over 100 different configurations, they cover a comprehensive range of base, bulb and filament types, as well as voltage and current ratings, providing a high intensity spotlight which can be precisely controlled.

To meet the competition provided by the new light emitting diodes (LED's), LAMPS designed an incandescent equivalent, direct replacement lamp which will be marketed in 1972. The new lamp meets exact parameters of standard LED's and offers the same voltage and current capability without need for series limiting resistors.

In addition, LAMPS introduced its own line of LED numeric displays, discrete devices (both invisible and infrared) and optoisolators, which are expected to be an important contributor to 1972 volume.

Marco-Oak lights and indicators are widely used in data entry equipment, commercial and military telephone hardware, hotel reservation equipment and recreation and entertainment products. Its QT lights—shown on the right side of this photo—have been adapted for use with LED's (light emitting diodes).



Components

McCoy Electronics Company

McCoy Electronics Company increased sales and profits in 1971 in spite of a decline in military sales. The company manufactures quartz crystals and other devices for frequency control in communications equipment.

McCoy traditionally emphasizes market and product development, and these efforts had an important effect on 1971 performance. The firm also benefited from improvements in internal operations, such as greater use of X-ray techniques in test measurement and quality control, the use of a computer in product design, and efficiencies in purchasing and manufacturing.

In the marketing area, McCoy established a short-order capability for participating in new markets where customers are not engineering-oriented and characteristically demand service and performance at competitive prices. The company also initiated several programs aimed at improving penetration of existing markets. These include:

- extension of crystal frequency ranges through application of new sputtering techniques which allow for more refined surface finishing;
- inauguration of temperature-compensated crystal units;
- development of thick and thin film integrated circuit (IC) oscillators;
- manufacture of crystals for watch and clock markets;
- introduction of crystal hybrid filters;
- development of surface (acoustic) wave filters;
- broader market coverage in areas such as paging receivers and transceivers; collision avoidance systems; instrument landing systems; electronic timing and analysis systems for urban transportation; pollution control equipment, and monitoring and measuring devices for electronic medical systems.

Products introduced during 1971 include a voltage-controlled crystal oscillator which allows selection of any frequency in the 80 to 110 MHz range by inserting a crystal unit of another frequency. This model is suited for use in communications equipment systems. A new line of monolithic filters offering small size, light weight and high reliability in a tiny (TO-5 model) holder was brought out. These units are ideal for miniature receivers and paging systems.

Work progressed on very high frequency (VHF) filter applications which will greatly reduce cross modulation caused by interference of adjacent channels. Such filters, when perfected, will be well suited for use in land mobile communications equipment, which operates in a crowded part of the frequency spectrum.

Work also continued on design of monolithic filters for applications where reliability and minimum weight and size are vitally important.

Techno-Components Corp.

Techno-Components reported improved profit performance for 1971. Military sales were maintained at prior-year levels and renewed emphasis was placed on penetrating non-military markets.

Techno produces miniature potentiometers used to balance electrical circuits, and is the only manufacturer with a complete line of $\frac{1}{4}$ inch and $\frac{3}{8}$ inch wirewound trimmers which meet current military reliability specifications.

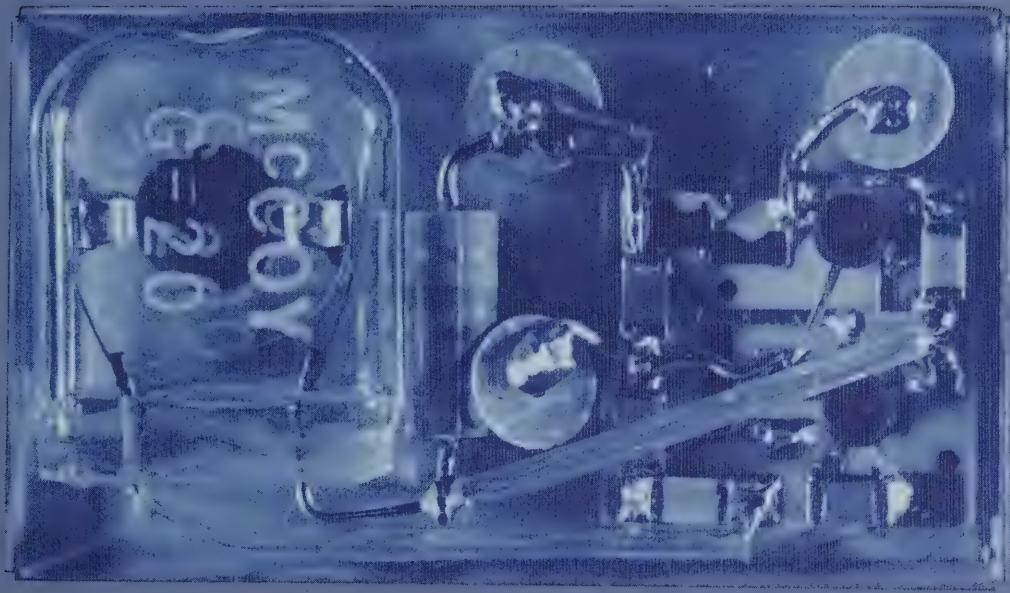
Introduction in 1971 of $\frac{1}{4}$ inch and $\frac{3}{8}$ inch Cermet square thinline film units is expected to increase volume as applications are found among producers of computers, electronic testing equipment, automated machinery, and oscillator, digital readout and encoding/decoding equipment.

These Cermet units are rapidly replacing wirewound units. They offer the user a wider resistance range and infinite resolutions at reduced cost.

Techno expanded its marketing organization and by year end was represented by a nationwide distributor network as well as a coast-to-coast combination of manufacturers' representatives and corporate sales office personnel.

In 1972, work will continue on the development of a dual-in-line potentiometer incorporating two trimmers with a unique separate adjustment feature. The new unit will provide flexibility in a standard dual-in-line package, thus becoming compatible with integrated circuit packaging, and is designed specifically for automatic insertion in high volume industrial equipment.

Techno entered 1972 with a higher backlog on substantially increased orders. The combination of new product efforts, continuing improvement in internal controls, and greater penetration of existing industrial and military markets has placed the company in a much stronger position, with volume growth anticipated in 1972.



MCCoy Electronics' MC1000 standard crystal oscillator is being used in miniaturized communications equipment. The unit combines a McCoy crystal with a thick film substrate containing discrete components, supplied by the Oak Switch Division.

Components

Diamond H Controls Ltd.

Diamond H Controls Ltd., O/E/N's English subsidiary, reported its tenth consecutive year of record sales, up 29 per cent from 1970, and reached another new high in earnings.

Increased demand for energy regulators and oven thermostats for the expanding British electric range market provided the greater part of the sales gain, with the remainder spread among all product categories.

The consolidation of relay manufacturing operations at the company's main plant in Norwich in 1970 had a beneficial effect in 1971. Production and distribution efficiencies were realized which helped improve sales of relay products.

Increased penetration of markets served with Oak rotary switches was achieved, and the Crystal Products Division, established late in 1970, produced and sold its first quartz crystal units.

In 1972, Diamond H will introduce its first rod-type thermostat for hot water heaters, a new Diamond H-designed, low-power molded section rotary switch of intermediate size, and a broadened range of electronic temperature controllers.

The Crystal Products Division will intensify marketing efforts for its quartz crystals and crystal filters. Profitable markets currently exist for crystals and filters of the type being produced by Diamond H in the radio and telephone communication fields and in applications such as copying machines and airborne communications equipment.

Diamond H Switches (S.A.) Pty., Ltd.

Diamond H Switches did not attain its 1970 performance levels. Sales of appliances, particularly, were dampened by anti-inflation measures imposed by the South African government.

Early in the year Diamond H acquired all of the stock of Industrial Controls Ltd., a producer of wirewound resistors, transformers and industrial control equipment. This move was part of the company's long range plan to diversify into the industrial sector of the electronics industry.

Introduction of new products and renewed demand for appliances are expected to improve 1972 results. New products being brought to market include a line of industrial general purpose relays, an interfaced toggle switch incorporating a prism readout, and an electromagnetic circuit breaker for domestic electric ranges.

O/E/N Holland

While overall performance of O/E/N Holland in 1971 was below that of 1970 levels, its good results in certain areas indicate an upturn in 1972.

Sales of rotary switches, a key product line for O/E/N Holland, continued to rise during the year, with particularly good reception given the Oak-designed multidex switch introduced in the spring. The company also introduced a European version of CATV Division's Gamut 26 converter for the European cable television industry. Firm orders are on hand and volume production has begun.

Continued strength in these markets, plus planned new product introductions, should improve the company's sales in 1972. Production capability has been increased to handle larger volume orders and the wider range of products expected to be sold in the European market.

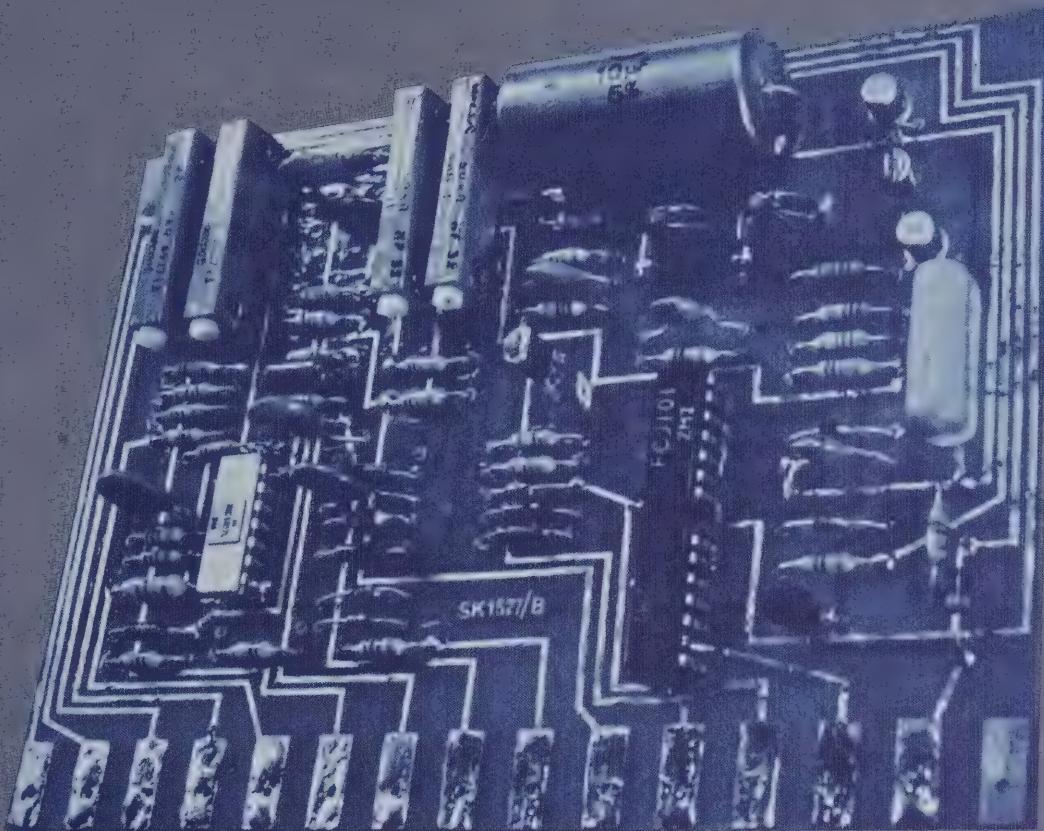
O/E/N India Limited

O/E/N's joint venture operation, O/E/N India, more than doubled its sales and achieved profitability during 1971, its second full year of operation.

The increased volume was directly attributable to wider distribution of Oak low power rotary switches achieved through additional sales representation in Bombay and New Delhi.

The company continued to add equipment and processes to its fabrication facilities so as to become a fully integrated producer of rotary switches and industrial and military relays for data processing equipment, military aircraft and appliances.

Future product expansion plans for the Indian company include the addition of the Oak Series 400 Keyboard switch for use in desktop calculators. In addition, wire wound potentiometers, connectors and adhesive copper coated foils have received preliminary Indian government approval for production there.



This custom-made printed circuit board produced by Diamond H Controls measures only 3" x 4" and includes such components as insertible IC's, potentiometers and capacitors. The board provides circuitry needed in calculators, test equipment and computers.

New Operations

Oak Security Inc.

In December 1971, O/E/N acquired all of the stock of Security Management Services, Ltd. of Madison, Wisconsin. At the same time, O/E/N established a separate subsidiary, Oak Security Inc., in Madison.

Oak Security provides a consulting service, security program evaluation, hardware analysis, training seminars, and a publications service for industrial, commercial and governmental markets.

The acquisition signifies O/E/N's first expansion into a service industry. It represents a new departure for the company and a beginning step around which broader participation in the growing security field can be built. A two-year study of the U.S. security market by Oak has determined that total expenditures for both private and public security services and hardware are currently at \$8.7 billion annually and increasing at a yearly rate of 10 per cent.

Oak Security will practice an "environmental" approach to security problems. Its emphasis will be on examination of the total environment in which the security function operates. This approach takes into account not only the physical aspects of an organization's security—staff, hardware, and physical layout—but also the effect on security of the organization's management policies, employee relations and community relations.

Security, traditionally accepted as an alert guard and a well-secured door, takes on new meaning under the "environmental" concept of Oak Security Inc.



Oak CATV Division

To maximize the company's participation in the rapidly growing cable television market, O/E/N has established an autonomous CATV Division, headquartered in Crystal Lake.

Utilizing the company's historic expertise in high frequency engineering, the division will design, develop and manufacture a variety of products for cable television. One product, the Gamut 26 converter, introduced in June, already has received excellent acceptance.

Prospects for the CATV industry have been enhanced considerably by a recent key ruling of the Federal Communications Commission, which regulates the cable TV industry. In effect the ruling opens up the top 100 television markets to cable TV. These markets comprise 87% of all TV set owners in the country. Of the total of 62.1 million television homes in the U.S., only 6 million now have cable TV.

With this kind of potential, the cable TV market is expected to grow 20 per cent each year through 1975.

A new version of the Gamut 26 is scheduled for introduction in mid-year. This converter will feature varactor (solid state) tuning and automatic frequency control, which eliminates need for fine tuning. This latter feature will be a first for set-top converters. The division also has designed a decoding device for pay-CATV which will be marketed this summer.

European cable television is another high potential market for the CATV Division. A version of the Gamut 26 converter has been designed exclusively for this market and is being manufactured by O/E/N Holland. Sizeable orders have been received from several European cable operators. Through the division's research and development center at Dordrecht, other CATV products will be developed for European cable TV.

The Oak CATV Division Gamut 26 Converter (shown with possible future configurations) meets performance challenges of the cable television industry today.



Operating

Materials Group

Company

Location

Fluorglas Division
Hoosick Falls, New York

Dodge Industries, Inc.

Atlantic Laminates Division
Franklin, New Hampshire

Circuit Materials Division
Hoosick Falls, New York

Engineered Yarns, Inc.

Coventry,
Rhode Island

Selectronics Division

Crystal Lake,
Illinois

Oak Electro/netics Corp. (Hong Kong) Ltd.

Kowloon,
Hong Kong, B. C. C.

Oak Electro/netics Corp. (Japan) Ltd.

Kawasaki,
Japan

Communications Group

Oak Switch Division

Oak Switch
Crystal Lake, Illinois

Hart-Advance Relay
Elkhorn, Wisconsin

Hart Indiana
Mishawaka, Indiana

Win-West Plastics
Wauconda, Illinois

Components Group

Marco-Oak Industries, Inc.

Anaheim,
California

Techno-Components Corp.

Van Nuys,
California

LAMPS, Inc.

Torrance ,
California

McCoy Electronics Company

Mt. Holly Springs,
Pennsylvania

Oak Electro/netics Holland N. V.

Emmen,
Holland

O/E/N India Limited

Electrogiri,
India

Diamond H Switches (S.A.) Pty., Ltd.

Pietermaritzburg,
South Africa

Diamond H Controls Ltd.

Norwich,
England

Harper-Wyman Company

Hinsdale, Illinois
and
Princeton, Illinois

Harper-Wyman de Mexico, S.A. de C.V.

Mexico, D.F.,
Mexico

Harper-Wyman de Venezuela, S.A. de C.V.

Caracas,
Venezuela

Harper-Wyman Limited

Malvern Link,
England

O/E/N Canada Ltd.

Aurora, Ontario,
Canada

Appliance Controls Group

Oak CATV Division

Crystal Lake,
Illinois

Oak Security Inc.

Madison,
Wisconsin

New Operations

Organization

Products	Applications
PTFE Materials and Fabrics (Glass-Reinforced Tapes/Pressure Sensitive Tapes/Sheet Material/Belts/Coated Yarns/Spray Coating/Sealants)	Aircraft and Aerospace/Electric Wiring Insulation/Photographic and Food Processing/Industrial and Commercial Plumbing/Textile and Paper Processing/Machinery Maintenance and Replacement Materials
Metal Clad and Unclad Laminates (Epoxy Glass Sheet Laminates/Multi-Layer Materials/Polyimide Laminates/Geometric Configurations/Custom Production Shapes)	Single or Double Faced High Density Packaging for Printed Circuit Board and Related High Temperature Applications (Used in Computers and Data Processing Equipment)
Adhesive Coated Plastic Films/Metal Foils and Laminates/Dry Adhesives	Automotive, Computer and Communications Industries/ Military and Aerospace Applications (With Emphasis on Printed Circuit Applications)
Plastic Coated Yarns (Vinyl Coated Fiberglass Nylon and Rayon Yarns/Teflon Coated Fiberglass Yarns/Thermo-set Plastic Coated Yarns)	Window Screening/Wiring Harnesses for Trucks, Farm Machinery and Other Heavy Equipment/Weaving of Heavy Industrial Fabrics/Automotive and Home Upholstery Fabrics
VHF Television Tuners/UHF Television Tuners/FM Radio Tuners	Television and Radio Industry
VHF and UHF Television Tuners/FM Radio Tuners	Television and Radio Industry
Source and purchase parts and components	All O/E/N companies and licensees
Rotary, Pushbutton, Lighted Pushbutton and Keyboard Switches/Stepping Switches and Rotary and Linear Solenoids/Appliance Switches/Vibrators	Industrial Controls/Data Processing and Peripheral Equipment/Communications Systems/Military Equipment/Medical and Laboratory Equipment/Applications
Industrial and Commercial Relays/Solid State Time Delay and Hybrid Voltage Sensing Devices/Linear Solenoids	Communications Equipment/Data Processing Equipment/Aircraft and Missile Guidance Control/Industrial Machine Control/Welding Apparatus/Automated Equipment/Copy Machines
Toolmaking/Diemaking/Fabricating Operations	Automotive Industry/Appliance Controls/TV Industry/Home Entertainment Field/Industrial Controls/Military Equipment
Custom Molded Precision Plastic Materials of Thermoplastic and Thermosetting Resins	Various Electronic and Electrical Equipment
Illuminated Pushbutton Switches/Indicator Lights/Rotary Switches	Computers, Computer Peripheral and Data Processing Equipment/Control Panels for Aerospace and Industrial Applications/Space Vehicle Ground Checkout Systems/Signaling Equipment/Communications, Transportation and Recreation Equipment
Miniature Wirewound and Non-Wirewound Trimming Potentiometers/Miniature Test Connectors	Airborne Radar and Communications Systems/Guidance Control Systems in Missile Applications/Computers and Data Processing Equipment
Miniature and Subminiature Incandescent Lamps/Quartz Halogen Lamps/Neon Lamps/Lighting Assemblies/Light Emitting Diodes and Readouts	Aircraft Flight and Ground Support Panels/Aircraft Instruments/Readout Devices for Panel Systems/TV and Communications Equipment/Medical Equipment
Quartz Crystals/Crystal Filters and Discriminators/Clock, TCXO, VCXO and Oven Oscillators/Printed Circuit Boards/Chemical Milled and Photofabrication Products	Transmitters and Receivers/Computers/Modems/Facsimile Transmission/Avionics/Paging Systems/Wrist Watches/Multiplexers/Surveillance and Intrusion Detection Systems/Modulators/Transponders/Communication Satellites
Rotary, Pushbutton and Moduline Switches/Indicator Lights/Illuminated Pushbutton Switches/Miniature Wirewound Trimming Potentiometers/CATV Converters	Data Processing and Business Machines/Scientific Instruments/Industrial Electronic Equipment/Military Equipment/Cable Television Industry
Rotary Switches/Industrial and Military Relays	Appliance Controls/Communications Systems/Data Processing Equipment/Military Aircraft
Energy Regulators/Thermostats/Infinite Controls/Rotary Switches/Snap-in Devices/Indicator Lights/Relays	Home and Industrial Appliances/Educational Teaching Aids/Industrial Controls/Military and Communications Equipment
Hydraulic Thermostats/Energy Regulators/Relays/Rotary and Toggle Switches/Snap-in Devices/Oak Rotary and Moduline Switches/Quartz Crystals and Crystal Filters/Indicator Lights	Home and Industrial Appliances/Test and Laboratory Equipment/Missile and Aircraft Systems/Automatic and Process Control Equipment/Industrial Controls/Commercial and Office Equipment/Computers/Communications Equipment
Gas Controls and Components (Oven Thermostats/Valves/Burners/Ignition Equipment/Pressure Regulators/Heating Controls)	Domestic and Recreation Vehicle Ranges/Gas Dryers/Gas Lights and Grills/Domestic Space Heaters
Gas Controls and Components (Oven Thermostats/Valves/Ignition Equipment/Fittings/Pressure Regulators/Tank and Cylinder Valves)	Domestic and Commercial Gas Ranges/LP Gas Tanks and Cylinders
Gas Controls and Components (Manual Valves/Ignition Equipment/LP Regulators and Valves/Automatic Controls)	Domestic and Commercial Gas Ranges/LP Gas Tanks and Cylinders
Gas Range Components (Oven Thermostats/Safety Devices/Valves/Filters/Ignition Equipment/Miscellaneous Fittings)	Industrial and Commercial Gas Ranges
Infinite Controls/Hydraulic and Bi-Metal Thermostats/Appliance Switches/Rotary Switches	Home and Industrial Appliances/Laboratory Equipment/Data Processing Equipment/Military Equipment
Electromechanical and Varactor (Fine Tuned or AFC) Converters/Decoders/Shft Encoders/Block Converters/Terminal-end CATV Products	Cable Television Industry
Consulting/Security Devices/Guard Services	Security and Protection Industry

CONSOLIDATED
ASSETS

	<u>1971</u>	<u>1970</u>
CURRENT ASSETS:		
Cash	\$ 2,679,103	\$ 2,062,298
Receivables, less reserve of \$368,000 in 1971 and \$335,000 in 1970.....	15,097,812	12,589,643
Refundable Federal income taxes.....	—	600,000
Inventories, at the lower of first-in, first-out cost or market.....	19,886,240	19,042,182
Total current assets.....	<u>\$37,663,155</u>	<u>\$34,294,123</u>
 PLANT AND EQUIPMENT, at cost (Note 6):		
Land	\$ 1,223,507	\$ 1,214,498
Buildings	11,932,310	11,231,983
Machinery and equipment.....	19,892,014	19,258,980
	<u>\$33,047,831</u>	<u>\$31,705,461</u>
Less—Accumulated depreciation	16,660,105	15,576,628
	<u>\$16,387,726</u>	<u>\$16,128,833</u>
 OTHER ASSETS:		
Notes receivable and prepaid expenses.....	\$ 2,048,780	\$ 1,977,615
Investments in affiliated companies (Note 1).....	606,866	450,995
Patents and debenture expense, less amortization.....	236,161	268,870
	<u>\$ 2,891,807</u>	<u>\$ 2,697,480</u>
	<u><u>\$56,942,688</u></u>	<u><u>\$53,120,436</u></u>

DECEMBER 31, 1971 AND 1970

BALANCE SHEETS

LIABILITIES

	<u>1971</u>	<u>1970</u>
CURRENT LIABILITIES:		
Notes payable to banks (Note 2)	\$ 5,831,679	\$ 3,847,561
Current portion of long-term debt.....	568,788	1,123,851
Accounts payable and accrued expenses.....	7,690,643	6,731,481
Accrued income taxes	851,961	66,332
Total current liabilities	<u>\$14,943,071</u>	<u>\$11,769,225</u>
OTHER LIABILITIES:		
Deferred income taxes (Note 6)	\$ 284,000	\$ 67,000
Accrued pensions and deferred compensation (Note 5).....	1,326,901	1,302,535
Minority interest in consolidated subsidiaries.....	464,954	456,194
	<u>\$ 2,075,855</u>	<u>\$ 1,825,729</u>
LONG-TERM DEBT, less amounts due within one year:		
4 3/8% subordinated convertible debentures (Note 2).....	\$10,000,000	\$10,000,000
5% note payable (Note 2).....	4,900,000	5,300,000
Notes payable of subsidiaries, payable in variable annual amounts to 1986.....	709,159	702,928
	<u>\$15,609,159</u>	<u>\$16,002,928</u>
STOCKHOLDERS' INVESTMENT (Notes 2, 3 and 4):		
Cumulative convertible preferred stock, \$5 stated value, authorized 400,000 shares, issued 79,393 shares in 1971 and 80,339 shares in 1970 (liquidating preference \$7,939,300 in 1971)	\$ 396,965	\$ 401,695
Common stock, \$1 par value, authorized 4,000,000 shares, issued 1,683,663 shares in 1971 and 1,681,465 shares in 1970	1,683,663	1,681,465
Paid-in surplus.....	1,974,321	1,971,792
Retained earnings	20,400,996	19,597,481
Less—Treasury stock, at cost (45,550 common shares in 1971 and 44,550 in 1970)	(141,342)	(129,879)
	<u>\$24,314,603</u>	<u>\$23,522,554</u>
	<u>\$56,942,688</u>	<u>\$53,120,436</u>

**CONSOLIDATED STATEMENTS OF INCOME FOR
THE YEARS ENDED DECEMBER 31, 1971 AND 1970**

	<u>1971</u>	<u>1970</u>
NET SALES	\$83,668,264	\$75,056,484
COST OF SALES.....	<u>64,540,581</u>	<u>59,664,293</u>
Gross income	\$19,127,683	\$15,392,191
SELLING, ENGINEERING AND ADMINISTRATIVE EXPENSES	<u>15,932,238</u>	<u>15,666,830</u>
Income (loss) from operations	<u>\$ 3,195,445</u>	<u>\$ (274,639)</u>
OTHER INCOME (EXPENSE), net:		
Interest expense	\$ (1,054,844)	\$ (1,127,793)
Miscellaneous, net (Note 1).....	<u>603,196</u>	<u>398,583</u>
Income (loss) before income taxes	<u>\$ (451,648)</u>	<u>\$ (729,210)</u>
PROVISION (REDUCTION) FOR INCOME TAXES.....	<u>1,328,000</u>	<u>\$ (1,003,849)</u>
Net income (loss)	<u>\$ 1,415,797</u>	<u>\$ (555,000)</u>
NET INCOME (LOSS) PER COMMON SHARE (Note 7).....	<u>\$.65</u>	<u>\$ (.49)</u>

**CONSOLIDATED STATEMENTS OF PAID-IN SURPLUS AND RETAINED EARNINGS
FOR THE YEARS ENDED DECEMBER 31, 1971 AND 1970**

PAID-IN SURPLUS	<u>1971</u>	<u>1970</u>
BALANCE, BEGINNING OF YEAR.....	<u>\$ 1,971,792</u>	<u>\$ 1,924,373</u>
ADD:		
Return of common shares from escrow.....	—	40,000
Excess of option price over par value of previously unissued common stock.....	—	3,595
Miscellaneous items, net.....	<u>2,529</u>	<u>3,824</u>
BALANCE, END OF YEAR	<u>\$ 1,974,321</u>	<u>\$ 1,971,792</u>
RETAINED EARNINGS		
BALANCE, BEGINNING OF YEAR.....	\$19,597,481	\$20,921,805
ADD (DEDUCT):		
Net income (loss) for the year.....	1,415,797	(448,849)
Cash dividends—		
Common (\$.16 per share in 1971 and \$.32 in 1970).....	(261,922)	(523,915)
Preferred (\$4.375 per share).....	<u>(350,360)</u>	<u>(351,560)</u>
BALANCE, END OF YEAR (Note 2).....	<u>\$20,400,996</u>	<u>\$19,597,481</u>

**CONSOLIDATED STATEMENTS OF CHANGES IN FINANCIAL POSITION
FOR THE YEARS ENDED DECEMBER 31, 1971 AND 1970**

	<u>1971</u>	<u>1970</u>
SOURCES OF FUNDS:		
From operations—		
Net income (loss) for the year.....	\$ 1,415,797	\$ (448,849)
Depreciation and amortization (Note 6).....	2,808,179	2,850,900
Total from operations.....	<u>\$ 4,223,976</u>	<u>\$ 2,402,051</u>
Increase in minority interest in consolidated subsidiaries.....	8,760	12,114
Proceeds from exercise of stock options.....	—	3,945
Sales and retirements of plant and equipment (at approximate net book value).....	307,952	1,497,276
Increase (decrease) in deferred income taxes.....	217,000	(28,000)
Increase in accrued pensions and deferred compensation.....	24,366	65,920
Total sources of funds.....	<u>\$ 4,782,054</u>	<u>\$ 3,953,306</u>
USES OF FUNDS:		
Additions to plant and equipment.....	\$ 3,342,315	\$ 3,227,535
Cash dividends—		
Common	261,922	523,915
Preferred	350,360	351,560
Reduction in long-term debt.....	393,769	1,125,471
Increase in investments in affiliated companies.....	155,871	194,870
Other	82,631	904,188
Total uses of funds.....	<u>\$ 4,586,868</u>	<u>\$ 6,327,539</u>
INCREASE (DECREASE) IN WORKING CAPITAL.....	\$ 195,186	\$ (2,374,233)
WORKING CAPITAL AT BEGINNING OF YEAR.....	<u>22,524,898</u>	<u>24,899,131</u>
WORKING CAPITAL AT END OF YEAR.....	<u>\$22,720,084</u>	<u>\$22,524,898</u>
CHANGES IN WORKING CAPITAL:		
Current assets—increase (decrease)—		
Cash	\$ 616,805	\$ (208,391)
Receivables	2,508,169	(935,178)
Refundable Federal income taxes.....	(600,000)	600,000
Inventories	844,058	(3,050,517)
	<u>\$ 3,369,032</u>	<u>\$ (3,594,086)</u>
Current liabilities—(increase) decrease—		
Notes payable to banks.....	\$ (1,984,118)	\$ 464,059
Current portion of long-term debt.....	555,063	(375,775)
Accounts payable and accrued expenses.....	(959,162)	306,365
Accrued income taxes.....	(785,629)	825,204
	<u>\$ (3,173,846)</u>	<u>\$ 1,219,853</u>
Increase (decrease) in working capital.....	<u>\$ 195,186</u>	<u>\$ (2,374,233)</u>

**NOTES TO CONSOLIDATED
FINANCIAL STATEMENTS
DECEMBER 31, 1971 AND 1970**

(1) Principles of Consolidation:

The consolidated financial statements include the accounts of the Company and all of its subsidiaries. The accounts of foreign subsidiaries have been included in the consolidated financial statements on the basis of the current rates of exchange except plant and equipment, capital stock and surplus which have been translated at historical rates, where applicable. The gain due to revaluation of foreign currencies in 1971 has been included in the accompanying consolidated statements of income as miscellaneous income. It is the Company's policy to provide for deferred Federal income taxes which will be payable upon the subsequent distribution of the earnings of certain foreign subsidiaries.

The investments in affiliated companies have been adjusted to the Company's equity in underlying book values at December 31, 1971 and 1970, and the Company's share of their net income (\$134,100 in 1971 and \$66,300 in 1970) is included in the consolidated statements of income as miscellaneous income.

(2) Long-Term Debt:

The 4 3/8% subordinated convertible debentures are due \$1,000,000 annually commencing March 1, 1978. The debentures are convertible at any time prior to maturity, unless previously redeemed, into common stock of the Company. The current conversion price is \$34.67 per share and subject to adjustment in certain events. The 5% note payable is due \$400,000 annually through 1983 and \$500,000 in 1984. These debt agreements provide certain restrictions upon the payment of cash dividends and the purchase or redemption of any class of stock. At December 31, 1971, \$7,383,000 of consolidated retained earnings was not subject to these restrictions.

Agreements with banks for short-term financing, expiring in 1972, provide that the payment of cash dividends and the purchase or redemption of any class

of stock may not exceed \$1,500,000 in any one year on a non-cumulative basis.

(3) Cumulative Convertible Preferred Stock:

Dividends on the preferred stock are cumulative at \$4.375 per share. Preferred shares are callable at \$100 per share at the option of the Company any time subsequent to June 30, 1972. Based upon shares outstanding at December 31, 1971, the total call price would be \$7,939,300. Each share of preferred stock is entitled to 1/2 vote. Common stock (2,198 shares in 1971 and 77 shares in 1970) was issued in connection with the conversion of preferred shares (946 shares in 1971 and 35 shares in 1970).

(4) Common Stock Reserved:

As of December 31, common stock is reserved for issuance as follows:

	1971	1970
Stock options for officers and key employees	60,000	88,312
Conversion of 4 3/8% subordinated convertible debentures	288,434	288,434
Conversion of cumulative convertible preferred stock (Note 3)	182,999	185,200
	<u>531,433</u>	<u>561,946</u>

During 1971, no options to purchase shares were granted or exercised and options to purchase 32,312 shares expired. As of December 31, 1971, options to purchase 43,225 shares at prices ranging from \$11.75 to \$34.125 per share were outstanding.

(5) Accrued Pensions:

The Company has a pension plan which covers substantially all salaried employees. Obligations under the plan are funded on a level cost basis using a group annuity contract with an insurance company. Pension expense was \$260,400 in 1971 and \$295,941 in 1970. The Company's subsidiary, Harper-Wyman Company,

has a pension plan which provides for retirement benefits to substantially all of its employees. Pension expense was \$137,700 in 1971 and \$126,000 in 1970 which includes normal costs and interest on past-service costs; however, no payments have been made to the fund for the years 1966 through 1969. Certain other subsidiaries have retirement plans and pension expense for these plans was \$159,800 in 1971 and \$143,666 in 1970. The total value of fund assets exceeded the actuarially computed value of vested benefits for all plans as of December 31, 1971.

(6) Property, Plant and Equipment:

Depreciation on buildings is generally provided on the straight-line method for accounting purposes and, at certain locations, on the declining-balance method for income tax purposes. Depreciation of all other property is provided over the estimated useful lives principally on accelerated methods for accounting purposes. The use of the declining-balance method for tax purposes has resulted in a tax deferral which is included in deferred income taxes. The Company follows the practice of treating investment tax credits (\$44,200 in 1971) as a reduction of the provision for income taxes in the year in which the related credit arises.

(7) Net Income (Loss) per Share of Common Stock:

Net income (\$.65 in 1971) and loss (\$.49 in 1970) per share of common stock is based upon the average number of common shares outstanding during each year, after recognition of a full year's dividend requirements on the preferred shares.

There would be no dilution in net income per share for 1971 or increase in net loss per share for 1970 if the 4 $\frac{3}{8}$ % subordinated convertible debentures, the \$4.375 convertible preferred shares and the stock options were converted into common shares at the conversion ratios in effect at December 31, 1971 and 1970.

To the Stockholders and the
Board of Directors
OAK ELECTRO / NETICS CORP.

We have examined the consolidated balance sheets of OAK ELECTRO/NETICS CORP. (a Delaware corporation) AND SUBSIDIARIES as of December 31, 1971 and 1970, and the related consolidated statements of income, paid-in surplus and retained earnings and changes in financial position for the years then ended. Our examination was made in accordance with generally accepted auditing standards, and accordingly included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances.

In our opinion, the accompanying consolidated balance sheets and consolidated statements of income, paid-in surplus and retained earnings and changes in financial position present fairly the financial position of OAK ELECTRO/NETICS CORP. and Subsidiaries as of December 31, 1971 and 1970, and the results of their operations and the changes in their financial position for the years then ended, in conformity with generally accepted accounting principles consistently applied during the periods.

ARTHUR ANDERSEN & CO.
Chicago, Illinois,
February 18, 1972.

TEN YEAR

	1971	1970	1969
OPERATIONAL RESULTS			
Net Sales	\$83,668,264	\$75,056,484	\$85,629,695
Income Taxes	1,328,000	(555,000)	1,651,000
Net Income	1,415,797	(448,849)	1,558,635
Net Income per Common Share (1)	\$.65	(\$.49)	\$.74
Cash Dividends—Common	\$ 261,922	\$ 523,915	\$ 969,962
Cash Dividends per Common Share	\$.16	\$.32	\$.64
FINANCIAL POSITION			
Current Assets	\$37,663,155	\$34,294,123	\$37,888,209
Current Liabilities	14,943,071	11,769,225	12,989,078
Current Ratio	2.5	2.9	2.9
Working Capital	\$22,720,084	\$22,524,898	\$24,899,131
Property, Plant and Equipment (Net)	16,387,726	16,128,833	17,212,467
Total Assets	56,942,688	53,120,436	56,740,263
Long-Term Debt	15,609,159	16,002,928	17,128,399
Earnings Reinvested in the Business	803,515	(1,324,324)	217,117
Stockholders' Investment	24,314,603	23,522,554	24,847,091
GENERAL STATISTICS			
Return on Stockholders' Investment—Beginning	6.02%	(1.81%)	6.33%
Capital Expenditures (excluding acquisitions)	\$3,342,315	\$ 3,227,535	\$ 3,254,809
Depreciation and Amortization	2,808,179	2,850,900	2,936,724
Cash Flow from Operations	4,223,976	2,402,051	4,495,359
Cash Flow per Common Share	\$2.58	\$1.47	\$2.75
Common Shares Outstanding—Average	1,636,940	1,637,204	1,636,253
Number of Stockholders	4,979	5,335	5,104
Number of Employees (at year end)	7,837	6,512	7,312
Salaries and Wages	\$29,916,094	\$28,271,524	\$30,820,496
Common Stock Price Range	13½-6¾	13¾-5½	29½-10½

(1) After retroactive reflection of dividends on Preferred Shares issued for acquisitions which are treated as poolings of interests.
Where applicable and significant, figures reflect poolings-of-interests treatments of acquired companies.

REVIEW

1968	1967	1966	1965	1964	1963	1962
\$90,016,440	\$92,301,256	\$88,011,587	\$73,532,346	\$63,696,801	\$51,576,562	\$40,459,386
1,746,000	2,145,000	2,986,800	2,337,791	2,127,106	1,633,790	933,643
1,481,934	2,321,998	3,031,245	2,607,347	2,087,582	1,102,776	969,049
\$.69	\$ 1.26	\$ 1.72	\$ 1.49	\$ 1.15	\$.51	\$.43
\$ 727,581	\$ 684,144	\$ 530,497	\$ 371,047	\$ 269,705	\$ 205,201	\$ 68,706
\$.64	\$.64	\$.51	\$.36	\$.26	\$.20	\$.07
\$38,063,074	\$36,667,992	\$36,933,319	\$24,300,288	\$19,647,416	\$15,916,364	\$13,872,023
12,903,323	11,171,599	21,841,784	11,163,620	7,522,912	7,203,931	5,738,924
2.9	3.3	1.7	2.2	2.6	2.2	2.4
\$25,159,751	\$25,496,393	\$15,091,535	\$13,136,668	\$12,124,504	\$ 8,712,433	\$ 8,133,099
17,171,792	16,589,598	15,595,624	13,695,736	11,945,772	10,788,540	9,284,208
56,975,880	54,879,653	53,767,987	38,826,901	32,513,972	27,701,617	24,137,265
17,873,515	18,477,289	8,398,046	7,124,605	6,777,202	4,296,230	3,061,747
380,893	1,477,844	2,442,748	2,112,710	1,735,173	956,408	842,343
24,617,626	23,860,437	22,145,459	19,420,683	17,278,677	15,548,825	14,853,858
6.21%	10.49%	15.61%	15.09%	13.43%	7.42%	7.19%
\$ 3,198,944	\$ 3,587,275	\$ 4,324,787	\$ 2,729,990	\$ 3,084,742	\$ 2,586,108	\$ 1,421,139
2,983,735	2,636,373	2,455,457	2,093,473	1,803,241	1,519,212	1,259,168
4,465,669	4,958,371	5,486,702	4,700,820	3,890,823	2,745,188	2,228,217
\$ 2.73	\$ 3.16	\$ 3.53	\$ 3.05	\$ 2.53	\$ 1.77	\$ 1.45
1,633,735	1,567,747	1,555,755	1,539,695	1,538,683	1,548,433	1,534,423
4,494	4,385	4,131	3,981	3,923	3,848	4,008
8,998	8,315	9,492	7,812	6,958	5,152	4,729
\$34,081,799	\$33,398,262	\$32,039,791	\$26,460,267	\$24,404,807	\$19,518,581	\$15,648,483
38 7/8 - 22 3/4	48 3/4 - 18 7/8	30 3/8 - 17	20 7/8 - 10 3/8	14 1/8 - 9 1/2	11 7/8 - 8 3/8	13 1/8 - 8 1/8

Where applicable, common share data adjusted to reflect 50% stock distribution made on August 12, 1966.

BOARD OF DIRECTORS



STANDING (left to right)

L. Jedynak
*Professor of Electrical Engineering
University of Wisconsin*

L. W. McCoy
President, McCoy Electronics Company

A. A. Morey
*Chairman, Executive Committee,
Marlennan Corporation and Chairman
of the Board, Natkin & Company*

N. Waite
*Partner, Schiff Hardin Waite Dorschel
& Britton*

P. S. Harper, Jr.
President, Harper-Wyman Company

SEATED (left to right)

G. B. Hamilton
Chairman, Executive Committee

F. A. Astrologes
President

E. A. Carter
Chairman of the Board

R. T. McTigue
Senior Vice President

C. J. Bradshaw
Vice President, Corporate Development

O/E/N OFFICERS

Everitt A. Carter
Chairman of the Board

Frank A. Astrologes
*President and
Acting Vice President, Components Group*

Robert T. McTigue
*Senior Vice President and
Acting Vice President,
Communications Group*

Carl J. Bradshaw
Vice President, Corporate Development

Morgan H. Cooper
Vice President, Research

Philip S. Harper, Jr.
Vice President, Appliance Controls Group

Eugene M. Keys
Vice President, Sales

Eugene N. Meyer
Vice President, Finance and Controller

Raymond W. Peirce
Vice President, Materials Group

William D. Scholten
Vice President, Manufacturing

R. Douglas Wilber
Treasurer

Edwin C. Wolf
Secretary

Helen O'Connell
Assistant Secretary

CORPORATE DATA: General Offices: Crystal Lake, Illinois; The Annual Meeting of the Corporation will be held at its general offices in Crystal Lake, Illinois, at 10:00 A.M., May 5, 1972; Stock Transfer Agents: The First National Bank of Chicago, Chicago, Illinois and First National City Bank, New York, New York; Registrars: The Northern Trust Company, Chicago, Illinois and The Chase Manhattan Bank, N.A., New York, New York; Trustee Under the Debentures: The Northern Trust Company, Chicago, Illinois and First National City Bank, New York, New York (New York Authenticating Agent); Stock Exchanges: New York Stock Exchange and Midwest Stock Exchange

